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THE EUROPEAN LIBERAL REVIVAL

By William Henry Chamberlin

The word liberalism seems to change its meaning when one crosses the Atlantic. In the United States, until very recently at least, it was not uncommon to find the phrase "Communists and other liberals" in certain left-wing publications. Because the word Socialism has never been popular in this country, advocates of bigger and better statism in our economic life hit on the not too subtle device of calling themselves liberals. They tried to pass off under the innocuous name of liberalism measures utterly alien to the individualist spirit of genuine liberal thinkers, such as Locke, de Tocqueville and Adam Smith.

In Europe, especially on the Continent, liberalism still sails under its true colors. Liberals are men who stand for maximum freedom in economic relations, who oppose, on principle, state intervention in economic life. Britain's remnant of Liberals, to be sure, gives the impression of being divided and uncertain. The handful of Liberals in the House of Commons often vote on opposite sides of the question. This is why British Liberalism does not recommend itself to the considerable number of British independent voters who are not in full sympathy either with the Labor Party or with the Conservatives.

But on the Continent the anti-statist position of liberals is clear. And in Switzerland, during a recent trip, I found a rather general impression that liberalism was reviving from its almost total eclipse after the war. One Swiss economist, a frequent participant in international economic conferences, expressed the conviction that younger people throughout Europe, including many students in British universities, were turning away from the illusions of Socialist statism. He went so far as to express the hope that liberalism might be Europe's wave of the future, although he recognized the necessity of a two-front struggle, against the encroachments of the state and against traditional cartel and monopolistic combinations.

An editor of one of Switzerland's internationally known newspapers, returned from a trip to Spain, was inclined to concur in this opinion:

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"Erhard's experiment with a free economy has certainly succeeded in Germany, if not one hundred per cent, at least 75 per cent. The French position has markedly improved during the last four years, when the trend has been toward fewer direct controls and a freer type of economy. And most of the trouble in Spain, in my opinion, can be traced to overmuch state interference in economic life."

II

Switzerland itself has always been an oasis of liberalism. Its national interests have obviously coincided with a regime of international economic liberalism, with stable currencies, free exchange of goods and money. Its amazing and apparently indestructible prosperity is due to a combination of factors which could not exist if autarchy prevailed throughout Europe and the world. Among these factors are an inflow of foreign tourists, earnings from foreign investments, banking and insurance, royalties from patents and open markets for Swiss high quality exports, precision machinery, watches, chemicals, textiles and chocolate.

But a check-up on the Swiss impact on reviving liberalism in the three largest nations of Western Europe, France, West Germany and Italy, shows a good deal of confirmation.

A scholarly professor of economics, Luigi Einaudi, is now President of the Italian Republic. He is probably the most eminent member of the Mont Pelerin Society, an international association of liberal economic thinkers in which Professor Friedrich Hayek is a leading figure. In his former posts as head of the Bank of Italy and Minister of Finance, Einaudi extricated his country from the quicksands of an inflationary boom. He accomplished this not by multiplying threats and controls, but by stopping the inflationary rot at the source. He tightened credit restrictions, he required banks to place more of their deposits with the central Bank of Italy. At the same time he eased up on currency exchange restrictions and let Italians import without asking too closely where they got the dollars.

Very largely as a result of Einaudi's methods, Italy now has a sound currency, which has fluctuated very little during the last three years. Einaudi no longer takes an active part in the direction of financial policy; but his disciples are in key positions in the Treasury and in the large banks. They are prepared to defend the lire, even against the occasional pleas of ECA officials for a looser credit policy.

When I visited France after the war, in 1946, that country was the prey of a myriad of futile and unenforceable controls. Persons entering France were liable to search on the suspicion that they might be import-

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ing francs, acquired at more realistic rates than the official one. Food rationing, in theory, was almost as strict as in Great Britain. But, while the British passively suffered, the French entered into a national conspiracy to thwart and break down the rationing. The situation suggested America in the days of prohibition, with an enormous amount of incidental graft.

Now food rationing is an unlamented memory. The traveler last summer could bring any quantity of francs into France without being searched by suspicious snoopers at the border. Between 1949 and 1951 there was a great improvement in the French international balance of payments. Rearmament pressure has brought on a new dip into the red in the balance of payments and has caused some shakiness in the currency; but the progress registered after the early postwar regime of frustrating controls was dropped is unmistakable.

These changes for the better occurred after France discarded "dirigism" (the familiar word there for a directed economy) in favor of more laissez-faire methods. The recent election, with the swing to the Right, analyzed by Bertrand de Jouvenel in HUMAN EVENTS, indicates that there is little prospect of a return to "dirigism" except for such controls as may be made necessary by the rearmament program.

III

West Germany in 1951 offers the most brilliant and convincing demonstration of the value of economic liberalism. When the three western powers took over the occupation they preserved intact the Nazi system of rationing and price and wage controls. For three grim and miserable years the German economy was almost stagnant; most German city and town dwellers were hungry; the German depression was a drag on the recovery of neighboring countries, such as the Netherlands, which in normal times depended to a considerable degree on German trade.

The turning of the economic tide in Germany came in 1948 and what has occurred during the last three years seems at first sight an economic miracle. German industrial output has doubled since 1948; German exports have approximately trebled, rising from about one billion dollars in 1949 to a level of three billion dollars for the present year.

With the worst heaps of rubble cleared away and an amazing amount of rebuilding and repairing completed and under way, the German cities begin to look normal again. Real wages have risen by almost fifty per cent during the last two years. By 1949 the pinched, sallow, hungry look had disappeared from the faces of the Germans and during the year

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a sharp increase was registered in per capita consumption of meat and sugar. On the basis of what is visibly available in stores and restaurants it is hard to escape the conclusion that the defeated Germans are today eating better than the victorious British.

This German recovery is a product of several causes, and credit must be given to more constructive occupation policy and to the ECA aid which was made available to Germany. But the intelligent hard work of the German people was the main factor in the German recovery; and Ludwig Erhard, Minister of Economics, released this powerful force by placing a bold bet on the inherent dynamism of economic freedom, and winning his wager. Erhard made a clean sweep of wage and price controls and rationing, let down the barriers that obstructed foreign trade and let the natural forces of recovery do the rest.

IV

There are still many clouds on the European economic horizon. Italian employers are obliged to keep on their payrolls more workers than they need, with the result that they get the worst of both worlds, denounced by Communists for paying low wages, yet finding their production costs unduly high. Both in France and in Italy the wage bill is swollen by forty or fifty per cent as a result of social costs, family allotments and various social insurance payments.

Among the German expellees there is an abnormally high proportion of old people, women and children. Add to them the war widows and orphans and it is clear why the employed German, it is calculated, must pay two-thirds of the maintenance of someone else, apart from his own family obligations. And true economic liberalism is threatened not only by various forms of state intervention, but also by ingrained tendencies in favor of protectionism, cartels, and various forms of monopoly.

In this connection it is interesting, if a trifle bewildering, that the Schuman Plan, the scheme for placing under a joint international authority the coal, iron and steel industries of France, Germany, Italy and the Benelux countries, is denounced as a super-cartel by its critics and hailed as a triumph of free competition by its advocates. The former stress the still loosely defined powers of the High Authority; the latter point to the agreement to eliminate tariffs, subsidies and other methods of discrimination in favor of one national industry against another.

But two observations hold true for postwar Europe outside the Iron Curtain and justify the phrase: liberal revival. First, Europe has not been engulfed in a tidal wave of Socialism, as seemed probable immediately after the war. Second, Europeans have now learned by experience the emptiness of the Utopian Socialist promises and the solid benefits which a liberal economic and financial policy can bring.

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Not Merely Gossip *A Supplement to* Human Events Vol. VIII, No. 50

By Frank C. Hanighen December 12, 1951

INTERNAL REVENUE SCANDALS: One angle of the headline topic of the day, not yet publicly disclosed, is referred to as the "shake-down for political funds". We have no direct evidence, but hear that there are some interesting files on this kind of "caper". According to our information, it works this way:

Some well-known and moneyed individual (Republican or Jeffersonian Democrat) is harassed by the Bureau agents on a controversial part of his income tax return. The individual has sought to make an honest return and no fraud is alleged. But, it becomes apparent to him that long and expensive legal work must be performed in his behalf, with no assurance that he will emerge unscathed. At this point, he learns that a generous check to the Democratic Party funds will result in dropping the dispute. As we get the story, often the harassed gentleman takes the line of least resistance.

Thus the income tax is apparently utilized to help bolster the reigning party in its position of power. Is it also employed to undermine the strength of the Opposition seeking to oust the reigning party? So we gather, although exact data on this practice is obviously pretty difficult -- even for such a persistent delver as Senator Williams of Delaware -- to prove. A number of reports -- both first and second hand -- describe the practice as follows:

A Republican (or Jeffersonian Democrat) gives financial support to anti-Administration political figures or organizations. The fact is discovered and the harassing begins. Sometimes, the political benefactor never discovers the connection, and goes on year after year in exhausting litigation. In other cases, we hear, an agile lawyer scents the trouble, tells his unfortunate client. Some give up, others fiercely go on.

It would be particularly interesting if Senator Williams or Senator Nixon would go into this matter. We have vaguely smelt so much smoke, that we conclude there's some fire behind. Besides, such a practice involves the same strategy which brought forth the activities of the notorious Buchanan Committee and the troubles of Dr. Edward A. Rumely, Mr. Merwin Hart and Mr. Joseph Kamp. This is a purely punitive practice and is intended to stifle all effective criticism of the Fair Deal regime.

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WHAT PRICE PEARL HARBOR? A few days ago, the anniversary of Pearl Harbor was celebrated with abundant comment, speeches, etc. The prevailing note sounded was that we must remember Pearl Harbor and see that no such day of "infamy" happens again. Since some of these warnings came from Administration sources, we are a bit puzzled.

If we must guard against another "surprise" attack, one would assume that our intelligence services would be already tightened up and given a chief noted for his alertness. But who is the present head of the Central Intelligence Agency? It is General Walter Bedell Smith. Where was he at the time of Pearl Harbor? He was a Colonel in G2 (Army Intelligence) and in a very key position. What did he do? Or rather, what did he fail to do?

The Army Board of Inquiry which investigated the Pearl Harbor disaster in 1944 suggested that Smith was far from alert in handling the famous Japanese intercepted messages which should have tipped us off that Japan would soon attack. That Board reported that the decoded Japanese messages "reached G-2 of the War Department not later than the evening of December 6" and were given to Smith. But Smith did nothing.

"Whatever was the reason of Colonel Smith for not conveying this message to General Marshall on the night of December 6, it was unfortunate", the Board remarked.

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"This information could have been sent to General Short on the afternoon (Honolulu time) of December 6." Mr. George Morgenstern in his book Pearl Harbor comments: "Had that been done, Short and Kimmel would have had clear warning of the probability of impending attack from twelve to eighteen hours in advance of the Jap carrier assault. They would have been able to go on a full alert and to make every possible preparation for defense. Instead, they were left in the dark."

The Army Board made no bones about this, stating: "Action (by the War Department) would have been sufficient to have alerted the Hawaiian Department. It was in possession of the information which was the last clear chance to use the means available to meet an attack. It had the background of the full development of the Japanese preparation for war and its probable date."

Now, we know nothing of the reason why Smith failed to act, and he may have learned from this costly experience. Nevertheless, it would be reassuring if we had a man with a record of alertness as chief of the principal intelligence agency today.

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IKE CAMPAIGN: Mr. John B. Crider is mentioned as the man who will run the publicity for the draft-Ike campaign. Crider, formerly of the New York Times, has recently been the editor of the Boston Herald. His resignation from that paper several weeks ago provided no little political excitement. Crider said he left the Herald because the publisher, Joseph B. Choate, had refused to allow him to run a critical review of Sen. Taft's book. Mr. Choate denied this, said Crider's resignation came as a complete surprise, and then ran Crider's unfavorable review of Taft's book on foreign policy.

Reports from Boston say that Crider's resignation constituted a fine anti-Taft publicity incident -- whether it was so premeditated or not. The matter will certainly be remembered if and when it is announced that Crider will run Ike's publicity. Additionally, our Boston correspondent reports rumors that Crider is presently writing a book about Eisenhower, which will have an introduction by the General himself.

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ACHESON: The perennial speculation that Acheson may soon resign is sprouting again. This time it is inspired by the published fact that the Undersecretary of State and one Assistant Secretary of State have resigned and stories that two more are on their way out. Undersecretary Webb, it is officially admitted, is getting out; Assistant Secretary Rusk has just departed; and it is said that Assistant Secretaries Barrett (Information) and Miller (Latin America) are soon to leave. Does this mean a cleaning out of top personnel, including Acheson or does it mean Acheson is forming a new team?

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POLITICAL REALIGNMENT: The bipartisan committee to explore political realignment has voted to dissolve itself the end of this month. To those who cherished hopes that this organization would bring forth a North-South political alliance of conservatives, it should be pointed out that it was not an "action", but an "exploration" committee.

It may be that its short life of only 10 weeks was due to greater realization of certain political obstacles to realignment. Those in the South (who privately welcome realignment) could say nothing favorable about it publicly because their objectives -- control of state capitals or county court houses -- might be lost by any taint of pro-Republicanism. In the North, candidates for the GOP presidential nomination could not abjure the little Republican organizations in Southern States, since these organizations have delegations to the national convention.

Other political realities hardly encouraged further "exploration". In the South, the present revolt is merely anti-Truman and does not envisage any real bi-

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partisan collaboration. Byrd himself is really following this course (although he gets off some good fundamental arraignments of Fair Deal Socialism). In the North, Republican leaders cling to old ideas -- catering to the elusive negro vote, ignoring the appeal of "states rights", following the old pattern of campaigning in the hope of capturing a few southern states.

Does the demise of the Exploration Committee write finis to this gallant attempt at realignment? That Committee, it should be emphasized, includes no members who currently are office holders (members of Congress, incumbent Governors, etc.). The outstanding leader of the crusade for realignment has been Karl E. Mundt, at present senior Senator from South Dakota. He has not been heard from on this subject, and -- on vacation -- has not been available for interview. What he has to say will be interesting -- perhaps decisive -- for the cause of realignment.

CHRISTMAS GIFT OFFER

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THE DRAMA FRONT: Our contributor, Edna Lonigan, deserts her customary role of political critic for one of play reviewer. She writes us as follows:

Washington's popular Little Theater, the Arena Stage, has just produced a play about Aaron Burr by Holmes Alexander (Washington writer) called "Ladder to the Moon". It received a bad press.

Actually, the play was good entertainment and made exceedingly vivid the plight of the young Republic after Washington had retired.

In Europe Napoleon was making the French Republic into a personal dictatorship. In the United States the material was right at hand in the eagerness of the poor and disfranchised to follow anyone who made promises to fit their hopes. When Burr fought Jefferson for office, Alexander Hamilton had to decide whether to let Burr destroy his hated rival, or to stop Burr by supporting that rival. As the final curtain falls, with Burr still in pursuit of his dreams, and his daughter ready to follow him anywhere, there is a clear suggestion that the dictators of our day, who cause so much misery, are made of the same stuff and could have been stopped if a few determined men had recognized treason when they saw it.

The effective work of the New York play reviewers in promoting leftist plays like "Born Yesterday" and damning anti-leftist plays like "The Traitor" has made the New York stage a vehicle for propagating leftist ideas. The difficulty in Washington is somewhat different. Reviewers here apparently believe they can judge a play as art without considering its political content. But Aaron Burr -- long offered in stories and textbooks as a model of treason -- is now a favorite of the Communists. Critics who praise "Born Yesterday" as good drama and say "Ladder to the Moon" is dull are not being non-political (as they apparently think). They welcome as "truth" the warmed-over ideas of the muck-raking period and ignore the living drama of the political struggle today. Benedetto Croce, staunch advocate of pure aesthetic criticism, would be the first to say it is not possible to separate art and politics by ignoring politics.

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THE BOOK FRONT: "The China Story", by Freda Utley, is now available in a paper cover, fifty-cent edition, described as a "special abridged edition", with a quotation on the cover from General MacArthur, commending the work. Copies may be obtained from The Committee For the Conservation of Faith and Freedom, 18 East 48th Street, New York 17, New York.

Senator Joseph McCarthy has in preparation a book of questions and answers, covering the main points of issue in his fight over Communists in Government. No publisher has been announced, although a number are reported bidding for the rights.

Mr. Frazier (Spike) Hunt, radio commentator and international commentator, is at work on a new book on the career of General Douglas MacArthur. Much new and hitherto unpublished material is promised.

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TIMES BOOK REVIEWS: Mr. Henry Regnery of the publishing house of that name has written a rather tart letter to the Editor of the Sunday edition of the New York Times. Regnery, about a year ago, published a book by General Hans Speidel, Rommel's Chief of Staff in France, entitled Invasion, 1944. Mr. Drew Middleton, Times correspondent in Germany, reviewed the book in the Times book review section a year ago and dealt harshly with it and its author. But now Middleton reverses himself. In a piece in the Times of a few weeks ago, he deals favorably with Speidel as having "all the best characteristics of the German professional soldier", etc., etc.

Mr. Regnery, expressing astonishment at the change, writes the Times: "Most surprising of all, perhaps, is Middleton's use in his recent article of Col. Truman Smith's introduction to Invasion, 1944. He quotes Col. Smith as authority for Speidel's successful efforts to prevent demolitions in Paris during the German retreat. In Middleton's review [of a year ago], let it be noted, he speaks with some sarcasm of the 'gullibility' of the 'lesser brass of all military orders who are inclined to believe that their opposite numbers are always men of great character and intelligence'. Col Smith who had known Speidel well when he was American Military Attache in Berlin before World War II, speaks in his introduction of Speidel's character and intelligence. . . . Was it Col. Smith who was gullible or Mr. Middleton, who judged so hastily and, if one is to believe him now, so incorrectly?

"One may assume, I think, that if I had waited until this fall to publish Invasion, 1944, the book would have received fair, even favorable review from the New York Times. But, one may ask, should books be judged on the basis of the time at which they appear, or on their intrinsic merits?"

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TALE OF TWO STUDENTS: The article of that name by Frank Chodorov (issue of November 28) has proved so popular that we have had to order an additional printing. Readers are amazed by its story of the indoctrination -- under the guise of "academic freedom" -- which has been going on in our schools. This week we offer further evidence of how topics for collegiate debate are loaded. Here follows a list of Intercollegiate National Debate Propositions in the past five years:

1946-7. Resolved: That the Federal Government should revise its labor legislation to provide for control over all factors involved in strikes and industrial disputes.

1947-8. Resolved: That a Federal world government should be established.

1948-9. Resolved: That the Federal Government should adopt a policy of equalizing educational opportunity in tax-supported schools by means of annual grants.

1949-50. Resolved: That the Federal Government should nationalize the basic non-agriculture industries.

1950-51. Resolved: That the non-Communist nations should establish a new world organization.

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